

change from a program of grants to direct sales and sales on credit was approved.

In this same period, the motivation or justification to have arms sales became somewhat more complicated than it was during the period of the war and the immediate postwar period. It was argued that we had somehow to provide arms to certain nations for the sake of prestige.

There was developed some kind of hierarchy as to what a first-class nation was. A first-class nation had to have not only nuclear weapons, but also the vehicles by which they could be delivered. A second-class country had nuclear weapons, but no vehicles with which to deliver them. A third-class nation was one which had a jet air force. We have escalated that now so that if one is a first-class nation, in addition to nuclear weapons and vehicles to deliver them, apparently it has to have supersonic fighting planes and supersonic bombing planes. Then, one moved down that hierarchy to a fourth-class nation. Such a country had to have a navy, or at least some ships or submarines. A fifth-class nation had to have tanks and mobile-armed units.

In other words, the Pentagon understood the significance of this hierarchy order, and those in the Pentagon say we have to have arms in the right measure to maintain a country. Arms are a status symbol, a tangible manifestation of nationhood and sovereignty. If there is a third-class nation, it has to have the right kind of fighter plane.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MUSKIE. I yield 2 additional minutes to the Senator from Minnesota.

Mr. McCARTHY. I shall need about 5 minutes.

It is not enough to have fighter planes. Now they have to have jet squadrons in order to establish where they stand in the hierarchy of nations.

That is one consideration. A second consideration given to us by the Pentagon is that the sales and furnishing of arms to other countries—however it is done—is necessary to establish a basis for influence. When an arms deal is concluded, the military hardware is only the first step. Almost invariably, a training mission is needed and the recipient country becomes dependent on the supplier for spare parts and other ordnance. We are told that we expose them to democracy by exposing them to our military advisers. That is not my view of how we expose people to democracy, but this is the Pentagon explanation for part of what has happened.

They have added another consideration, namely, a budgetary consideration, by which they explain to us that a major consideration in the sale of arms is to try to establish a real balance-of-payments or to prevent the flight of gold or to achieve whatever aspect of the balance-of-payments one wishes to reach. In order to accomplish this purpose, plus a military purpose, it is said that we need not only to grant arms but we need this program to assist in the sale of arms, and the Export-Import Bank has come to be used for that purpose.

Advocates of the Ellender amendment are inclined to emphasize that the Ex-

port-Import Bank was not intended for that purpose. I do not think it was. At the time it was established no one thought we would be in the business of selling arms to the world. Nor did they expect it when we were in the period of neutrality in effect before World War II. Nor did they expect the difficulties we faced during and after World War II. So to say it was never expected when the Export-Import Bank was established that the Bank would be used to sell arms around the world is to say everything and also to say nothing. The Export-Import Bank was set up. Its purpose was to encourage American exporters. It seems to me if there are legitimate sales of arms to a country, if it is proper to sell it arms, there is no reason why we should not use the instrument of the Export-Import Bank and the credit which can be extended through that agency.

I have been a part of the effort in and through the Foreign Relations Committee to try to set some kind of effective control over the activities of both the Pentagon and the State Department. I introduced a resolution in which we asked the Senate to subject the CIA to somewhat closer surveillance. I think that was the appropriate procedure. In the Foreign Relations Committee I supported an effort to set a monetary limitation upon the amount of military aid that could be given to Latin America. In that same committee we set a limitation not only upon grants but on aid to Latin America and also to Africa. This is the way to involve Congress at the point of decision. When someone says a country ought to have arms—whether they are sold or granted is a matter of indifference—we ought not to face up to that question indirectly, and not meet the Pentagon or the State Department at the table and say we will not participate.

Whenever a question of loans and interest payments is raised on the floor of the Senate, a kind of moral factor is injected into the debate. Some of my colleagues may recall the debate as to whether to sell wheat to Russia in exchange for gold. This was made difficult for people who felt a desire for gold and also a deep opposition to trade with the Communists.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MUSKIE. I yield 2 minutes more to the Senator from Minnesota.

Mr. McCARTHY. As long as those were the only two weights in the question, they were in favor of gold; but when there was injected the question of whether or not subsidized interest rates were involved, the whole question became highly moral and the program fell of its own weight.

Mr. President, I think the orderly way for the Senate to act is to have the Committee on Foreign Relations proceed, as it has been proceeding, to set proper, statutory, and orderly limitations upon the activities of the Pentagon and also the State Department in the areas of arms sales, arms distribution, and in the newly developing process of leasing arms to other countries. I believe this is the

appropriate way to meet this problem rather than approaching it indirectly, without adequate hearings, and without weighing all the factors that are involved, as is being recommended to the Senate today.

I recommend that the Ellender amendment be rejected. When the Committee on Foreign Relations presents its bill for consideration by this body, we should look more carefully than has been done in the past, into the problem of arms distribution around the world. That is the proper time for decision on whether that distribution should take place in consequence of sales or grants, whether sales are to be made on credit, or whether distribution should take place in consequence of some kind of lend-lease or pretended lease arrangement.

We ought to keep in mind, when we deal with the Pentagon, that it has something like \$50 billion a year to spend even when we do not have a war. They cannot spend all their time in military activities; eventually the officers begin to do what they would have been doing if they were civilians. Some of them become educators; some become merchandisers; some become lawyers, some doctors, some dentists. There are always some left over who want to be bankers. We ought not to take every operation away from them, because this arrangement can provide a satisfactory military career to some men who might otherwise be frustrated.

In any case, we ought not to proceed without respect to what the Committee on Foreign Relations has begun to do quite effectively.

Mr. LAUSCHIE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. LAUSCHIE. When the Committee on Foreign Relations recommended the repeal of the \$400 million revolving fund, is it not true that in its proposed report to the Senate it said as follows:

The repeal of the Department of Defense authority to finance commercial sales leaves undisturbed a number of sources of arms for the underdeveloped countries, in the rare cases where the furnishing of military assistance is important to the national interest. Outside the Department of Defense programs, underdeveloped nations can utilize the credit facilities of the Export-Import Bank.

When they can qualify?

Mr. McCARTHY. The Senator is quite correct. It was the judgment of the committee that under certain circumstances credit available to the Export-Import Bank ought to be available for this particular purpose.

Mr. LAUSCHIE. Is it not true that one of the arguments that was used in defense of the repeal of the \$400 million fund was that four other sources were available, and that one of them was the Export-Import Bank? Today it is proposed to repeal this source.

Mr. McCARTHY. I think the action the committee proposes to recommend to the Senate is enough to apply at this particular time. We ought to use that before we proceed to use the Export-Import Bank as a limited source for export sales.

Mr. ELLENDER. Mr. President, will the Senator from Maine yield for a question?